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October 16, 1984

MEMORANDUM FOR THE HONORABLE WILLIAM J. CASEY
Director of Central Intelligence

SUBJECT: Selected National Security Issues

Enclosed are two copies of the September 1984 Selected National Security Issues book for your use. The book summarizes our objectives and accomplishments and provides talking points for the specific issues selected. We intend to publish an updated version quarterly. The National Security Council Executive Secretary has a limited number of additional copies.

I would appreciate any comments and suggestions you may have to assist us in updating and maintaining this book as a useful aid for dealing with national security issues.


Robert C. McFarlane

Attachment
Selected National Security Issues, September 1984



L-299

SELECTED NATIONAL SECURITY ISSUES



September 1984

SELECTED NATIONAL SECURITY ISSUES

This is a compilation of selected national security issues, national objectives, Administration accomplishments during the past four years, and key talking points for each issue. We selected these particular issues not only because of their significance in national security affairs, but also because of their high interest. This document is not intended to be a comprehensive or in-depth review of our national security policy. However, we do hope that it serves a useful purpose by providing insight into our selected national security policies.

Selected National Security Issues
September 1984

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SELECTED NATIONAL SECURITY ISSUES

OVERVIEW

The two most important foreign policy questions any Administration faces are:

- o Where does America stand?
- o What does America stand for?

Answers to these were increasingly in doubt in the 70's. They are no longer. By providing clear answers we have helped to make the world a safer place and to keep it safe in the future.

The Starting Point

Before January 1981, international affairs had come to seem especially troubling for Americans. The reason was simple -- the actions of the Carter Administration had raised doubts, around the world and for our own people, about basic questions like:

- o Military security: Would the U.S. continue to get weaker or regain her strength?
- o Domestic economy: Would we be able to lick the problem of inflation and low growth?
- o International economy: Would we continue to work for free trade or retreat into self-defeating protectionism?
- o Arms control: Would we continue to accept one-sided agreements or insist on equality and real reductions?
- o Alliances: Would we stand by our friends and be able to get them to follow through on commitments to us?
- o Regional crises: Would the U.S. continue to lose the influence necessary for promoting regional stability and peace? Was it still better to be a friend of the U.S. than Soviet Union?

A President must act. And he must be prepared to give clear answers to these questions. He can't expect to protect America's interests by:

- o Claiming the problems we face are too hard,
- o Pretending that Cuban troops roaming around the Third World are a "stabilizing" force,
- o Offering our friends just enough help to fail, or
- o Settling slowly but surely for second best.

If this is how we act, it's absolutely clear what we'll get. The Carter Administration claimed the invasion of Afghanistan opened its eyes to the danger of Soviet expansion, but then gave so little help to Pakistan -- the country most threatened by the invasion -- that it was rejected as "peanuts." Nothing isolates America more than weakness and unreliability.

Accomplishments

The job the American people asked us to do was to rebuild, and make the world a safer place again. This is precisely what we've done. Soviet aggression has not claimed one square inch of territory since 1981. We have made clear and steady progress in reversing the global trends that we inherited. And we have worked to restore the strength on which successful American diplomacy and effective agreements depend:

- o In Europe we and our allies stood up -- united -- to the most intense campaign of Soviet intimidation in 25 years.
- o On arms control we've made revolutionary proposals that would really increase everybody's security.
- o Our own recovery and the strategy we and our allies forged at the Williamsburg summit are helping to revive the international economy. We are showing that it can be done without resorting to trade-war tactics.
- o In the Middle East, we have presented the most far-reaching peace plan ever put forward by the U.S. And our friends in the region, Israel and the moderate Arabs, again know they can count on us. We are continuing to improve our relations with the moderate Arabs, while simultaneously expanding our security cooperation with Israel.
- o In Central America, we've met the challenge of military subversion and expansionism. We've helped the first democratic government of El Salvador in years to protect itself; working with Caribbean nations, we helped return the government of Grenada to its people.
- o In Africa we have been diplomatic mediators, helping to bring about the first non-aggression agreements ever between South Africa and her neighbors, and using our influence to seek solutions to problems rather than confrontation.
- o We have united the free world against repression in Poland and the Soviet war of conquest in Afghanistan. There is a powerful message in the fact that most of the world's

insurgencies are now fighting against the Soviet Union or Soviet clients. These are the true national liberation movements of our time.

- o The President's personal diplomacy has built the best relations our country has ever had with Japan and China. Good relations with each of these Asian powers has not been at the expense of bad relations with the other. We are working with both to improve their ability to defend themselves.
- o We are reaching out to all friendly nations of the Pacific Basin, to seek enhanced economic and security ties with this dynamic region so vital to America's future.
- o We have made dramatic progress in working with others to curb the spread of nuclear weapons to new states and to unstable regions of the world.
- o We no longer fear energy shortages -- oil imports are way down, our reserves are high, and we've forged effective emergency energy agreements with our allies.
- o We have taken control of the tide of strategic technology to the USSR, eliminated preferential credit terms for the Soviets, and reduced the risk of European dependence on Soviet energy.

This is where America stands. And because what we have achieved is deep and durable, it opens the door to still broader opportunities in the years ahead.

Next Steps: Looking Ahead

America is stronger today than four years ago. But we didn't restore our strength for strength's sake.

What America stands for is what it should always stand for -- peace, prosperity and democracy. And it has to do more than treat these as slogans -- it has to know what it takes to get there, and have the vision to set bold goals.

We've shown we can do that, but the American people deserve to know what the agenda for the next four years will be.

Peace. We are all for peace. Our people are entitled to security. The question is how to turn rhetoric into results.

o Goals:

- Conduct relations with the Soviet Union based on strict reciprocity and true restraint. Seek and achieve

agreements based on real reductions in nuclear forces. Our proposals are still on the table; we encourage the Soviets to come back.

- Affirm our long-term commitment to reduce mankind's terrible reliance on nuclear weapons, by exploring the technology of strategic defense, and by improving the conventional capabilities of this country and our allies.
- Seek immediate breakthroughs in other areas where peace is at risk: e.g., preventing proliferation of nuclear weapons to new countries, turning back the tide of international terrorism, resolving dangerous regional wars, and showing countries that have looked to the Soviet Union the viability of the democratic, free enterprise alternative.

Prosperity. Stirrings in the international economy reflect our own vibrant recovery. How to assure that this is not just a blip?

o Goals:

- Continue the responsible policies at home that have put us back on our feet. This is central to worldwide growth, but also to other goals. The discipline we showed in attacking problems has increased confidence in America across the board.
- This can be the basis of a second goal: reaching and implementing a world consensus on free market policies to assure an enduring economic recovery. In particular, focus on liberalized trade and financial stability.
- Put the protectionist temptation behind us. An open world economy is the best -- only -- way to sustain a recovery in which whole world participates. We want to get others to "swear off" too by reducing barriers to investment, etc.
- Solve the international debt problem in a way that treats the disease not just the symptoms. We are already helping democratic friends like Mexico and Argentina work their way out of their crisis, and on conditions that will require responsible economic management in the future.

Democracy. America believes in a future of democratic possibilities, and knows that in the long run democracy is the best peace program we have to offer. Progress -- 90% of Latin America's people now live in countries that are democratic or on

a transition timetable. And countries that seemed to have no hope of democracy -- like Argentina and Guatemala -- have made major breakthroughs.

o Goals:

- , -- Make the Americas the hemisphere of democracy in this decade. The steadiness of this Administration's policies is one part of making this possible. The recommendations of the bipartisan Kissinger Commission on Central America must be a further pledge to this process. Issue the challenge of democracy to nations around the world, doing what we can to encourage trends toward democracy and to discourage those who would repress their people or help others whose formula for government is repression instead of democracy.

REGIONAL ISSUESSOVIET UNIONIssue:

- * How can the United States further deter Soviet direct and indirect aggression and reduce the risk of a U.S.-Soviet war?

Objectives:

- o Reduce, and eventually eliminate, the use and threat of force in solving international disputes;
- o Reduce the vast stockpiles of weapons in the world, particularly nuclear weapons, on a balanced, stabilizing, and verifiable basis;
- o Establish a better working relationship with the Soviet Union, one marked by greater cooperation and understanding; and
- o Deter Soviet aggression and to facilitate negotiation of agreements which would reduce tension and diminish the threat of war.

In pursuing these objectives, our approach is based on three guiding principles:

- o Realism, which means that we must recognize the nature of the world we live in and the Soviet system, and must not sweep problems under the rug, but must deal with them forthrightly.
- o Strength, which is more than military power; it is an amalgam of political unity and will, economic health, and an adequate defense. The Soviet Union respects strength; it takes advantage of weakness.
- o Dialogue, which means that we are prepared to discuss the problems that divide us and to work for practical and fair solutions on the basis of mutual compromise.

Accomplishments:

- o The world is safer today than it was four years ago. Our ability to deter aggression is being restored, and the growing tide of Soviet direct and indirect aggression we saw in the 1970's has receded.
- o Our global alliances and traditional friendships, essential to deterring Soviet aggression, have been repaired and are sound.

- o The Soviet Union has also avoided actions which could cause direct conflict between us as opposed to what happened, for instance, in 1973, when Soviet preparations to intervene directly in the Middle East caused us to go on a world-wide strategic alert. NATO's call for the deployment of INF missiles in Europe to counter the threat of the Soviet SS-20's is a case in point.
- o We have placed far-reaching and ambitious arms reduction proposals on the table.
- o We have moved to place our working relationship on a more businesslike footing, and to increase contacts between our societies.
- o We have made it clear that our cooperation with the Soviet Union will depend to a great extent on Soviet compliance with existing agreements; including those on arms control, human rights, and other major issues.
- o We have established a pattern of consultation on regional issues. Despite our fundamental disagreements on many of these, consultations help us and the Soviets to avoid actions which could escalate into direct conflict.
- o We have in place a policy designed for the long term, since management of our relations with the Soviet Union must be steady and must avoid the rapid fluctuations of the past, which weakened our ability to defend our interests. It is based upon a realistic assessment of the Soviet Union, and on the recognition that we must preserve peace between us as we work toward solving problems.

Talking Points:

- o Our policy vis-a-vis the Soviet Union is aimed at achieving a lessened reliance on the use or threat of force, a reduction in nuclear and other armaments, and a more constructive U.S.-Soviet working relationship. We also seek to deter further Soviet direct and indirect aggression in the world.
- o During the 1970's the USSR increased its military power far beyond its defensive needs and used force and the implied application of force to expand its control over other countries.
- o Either directly or through surrogates the Soviets have supported the establishment of communist regimes in Africa (Angola, Ethiopia), in Asia (Vietnam, Kampuchea and Laos), in Latin America and the Caribbean (Nicaragua, El Salvador and Grenada), and blatantly invaded a neutral country (Afghanistan). They turned Communist Cuba into a base for

aggression in Latin America and Africa. At the same time, they are attempting to undermine NATO by deploying SS-20 nuclear missiles against Western Europe.

- o This pattern of aggression not only poses a threat to many independent nations, but ultimately to American security and to the American way of life.
- o During the same period, the Soviet Union reached nuclear parity with us, and in some areas pulled ahead of us, in some aspects of strategic nuclear capabilities and particularly in conventional armaments.
- o This Administration has moved decisively to contain Soviet expansionism. No country has fallen to Soviet aggression since 1981 and, despite its frequent saber-rattling and truculence, Moscow has been more cautious in its military behavior over the past four years. This is largely due to our refurbishing of our deterrent capacity and strengthening of our alliances.
- o At the same time, we have created a sound basis for realistic and peaceful management of our overall relationship with the Soviet Union. In the past four years, the United States has made dozens of specific proposals to the Soviet Union which, if accepted, would reduce tensions, lower arms levels and provide for a better and more realistic working relationship.
- o We have agreed to upgrade the "hotline" for crisis communications between our capitals.
- o We are discussing extending our agreements on avoiding incidents at sea and on cooperation in fishing.
- o We have proposed reviving agreements on cooperation in environmental protection, housing, health, and agriculture.
- o We have renewed our agreement on consular, economic, industrial, and technical cooperation.
- o We have proposed conducting a joint simulated space rescue mission.
- o We are discussing again the proposal to open consulates in New York and Kiev.
- o We are negotiating to resolve differences on our maritime boundary off Alaska.
- o We are proposing to discuss new uses of the hotline, search and rescue procedures for those lost at sea, and joint military and diplomatic communications.

- o While Moscow has refused since December 1983 to negotiate with us on reducing nuclear arms, we believe that it is in the interest of both countries to negotiate verifiable agreements for lower arms levels, and to improve our relationship in other respects. We will continue our efforts, and believe that the Soviet leadership will eventually come to understand that such negotiations are in its interest as well.
- o Until the Soviets agree to real arms reductions, it is essential for us to continue our currently planned defense modernization program. If this program is curtailed without verifiable agreements to constrain threatening Soviet programs, the Soviet leaders will have little incentive to negotiate, but will simply wait in the hope of achieving their objectives without any concessions on their part.
- o The Soviets have effectively exploited Western strategic technology to modernize their military capabilities. Our own modernization program is based on achieving conventional deterrence through technological superiority, rather than numerical equality. We will continue our determined efforts to stem the flow of strategic technology to the Soviets to ensure that we derive the maximum deterrent value from our modernization program.

EASTERN EUROPEIssue:

Given U.S.-Soviet tensions and the Soviet campaign to reimpose more stringent controls on Eastern Europe, how can we maintain and improve our relations with East European countries?

Objectives:

- o Differentiate our policies toward East European countries to encourage domestic liberalization, diversity, and more autonomous foreign policies.
- o Promote security through enhanced trade, economic and political cooperation.
- o With those countries that manifest foreign policy autonomy or domestic liberalization, stimulate and further develop the East-West dialogue through cultural and scientific exchanges, international meetings, high-level visits, bilateral councils, and government-to-government contacts.
- o Help foster genuine national reconciliation in Poland that includes dialogue among the Government, Church, and the people (especially the Polish workforce); restoration of free trade unions; implementation of economic reform; and an enhanced role for the Church.
- o Maintain our strong support for an independent, unified, non-aligned, economically viable, and stable Yugoslavia.

Accomplishments:

- o In spite of U.S.-Soviet tensions and tighter Soviet controls in East Europe, we have succeeded in preventing the deterioration of U.S. relations with several East European countries and, in fact, have strengthened bilateral ties with Hungary and Romania through a policy of differentiation.
- o We have improved U.S.-Hungarian relations significantly, as manifested in a series of mutual high-level visits, resolution of all family reunification cases, Hungary's adherence to the conditions of MFN status, and our support for their membership in the IMF in 1982.
- o We have improved the special U.S.-Romanian relationship through frequent exchanges and mutually beneficial political and economic steps. Romania has continued its independent foreign policy -- most visibly in its criticism of Moscow's new nuclear deployments and its decision to ignore the Soviet Olympic boycott. Also, by

establishing the U.S.-Romanian Human Rights Roundtable, we have been able to communicate successfully the importance we attach to immigration and overall human rights issues.

- o The Vice President's trip to Eastern Europe in September 1983 served as a visible manifestation of our differentiation policy and furthered bilateral dialogue with key East European leaders. His visits to Yugoslavia, Romania, and Hungary provided a foundation for durable improvement in U.S.-East European relations, and his speech in Vienna during the trip was the first clear, high-level articulation of our differentiation policy.
- o Our sanctions policy toward Poland has contributed to the recent moderation displayed by Warsaw (the declaration of amnesty for all political prisoners); has served and will continue to serve as an effective lever to encourage the Polish Government toward more concrete progress (economic reform, restoration of free trade unions, etc.); and has also enabled us to respond to positive measures taken by the Polish Government with equally significant steps.
- o Over the last three years, we have provided over \$100 million in humanitarian aid to Poland. Specifically, the Administration has assisted voluntary agencies (CRS, CARE, and Project Hope) by providing food, medicine and other humanitarian aid to the Polish people through non-governmental channels.
- o We have bolstered our bilateral relations with Yugoslavia through such steps as the multilateral "Friends of Yugoslavia" economic assistance package in which the U.S. played a key role; and hosting the visit of President Spiljak to the U.S. in 1984 -- the first top-level Yugoslav visit to the U.S. since 1978.

Talking Points:

- o We have successfully maintained, through our policy of differentiation, good bilateral relations with several East European countries, despite overall East-West tensions and persistent Soviet efforts to tighten political controls.
- o We have rejected any notion of there having been a "lawful" division of Europe. There was no agreement at Yalta to divide Europe into "spheres of influence." Rather, the Soviet Union pledged itself to grant full independence to Poland and other states in East Europe, and to hold free elections. The Soviet violation of these obligations is a root cause of East-West tensions today.

- o Our strong economic recovery has enabled us to support some East European (Yugoslavia, Romania, Hungary) efforts to resolve short-term liquidity problems and implement long-term economic reform and stabilization efforts.
- o With respect to Poland, we have maintained, a measured, effective step-by-step approach under which we are easing our sanctions in direct response to meaningful liberalization measures taken by the Polish Government. We have also provided humanitarian aid through non-governmental channels (totaling over \$100 million) over the last three years. It is essential that the regime move toward genuine dialogue and reconciliation with all elements of Polish society, including the workforce.
- o With respect to Yugoslavia, we have maintained good relations through high-level visits, continued bilateral trade and mutually beneficial commercial activity.

WESTERN EUROPEIssue:

How can the United States most effectively expand and strengthen our longstanding and deep political, economic, and military ties with and interests in Western Europe?

Objectives:

- o Strengthen the NATO Alliance and our political and military relations with other Western European nations.
- o Neutralize Soviet efforts to decouple the U.S. from its West European Allies.
- o Make effective and meaningful arms control an essential element in strengthening peace and security.
- o Stimulate further the economic recovery of our European Allies and friends.
- o Promote closer U.S.-West European coordination of trade and financial policies.
- o Ensure that we and our Allies have access to sufficient energy supplies to meet Western security needs.
- o Curb the flow of militarily significant technologies, products, and resources from the West to the Soviet Union and its Allies.
- o Devise an effective U.S.-Allied policy to combat international terrorism.

Accomplishments:

- o The Administration has put relations with our European friends and Allies on a stronger and steadier course. This was partly accomplished via frequent meetings between the President and key European leaders, including two Presidential trips to Europe.
- o We have worked closely with our Allies to develop coordinated policies for addressing problems beyond the NATO area. This has included especially close consultations with regard to the Middle East and the Iran-Iraq war, where we have reached agreement within the International Energy Agency on how to handle a major reduction in oil supplies. This has helped to calm the oil market and keep the price of oil down.

- o In the absence of an arms control agreement, we have begun deploying INF missiles in Europe, thereby shoring up the deterrent whose credibility was being called into question by Soviet deployments of SS-20 missiles and other significant force improvements.
- o INF deployment, begun after the closest and most intensive consultations in NATO history, has helped neutralize Soviet efforts to decouple the U.S. from Europe and has sent Moscow a strong signal of Alliance resolve and solidarity.
- o At the same time, we and our Allies remain fully committed toward achieving significant arms reduction. The Alliance recently demonstrated its continuing interest in moving in this direction by deciding unilaterally to withdraw an additional 1400 nuclear warheads from Europe.
- o We have played a major role in developing measures to improve NATO's conventional defenses through better utilization of emerging technologies and enhanced arms cooperation, as in the U.S.-FRG Patriot program.
- o The Administration has successfully renewed military basing agreements with Spain, Portugal, and Greece that are vital to our deterrence strategy.
- o The U.S. economic recovery has helped stimulate robust non-inflationary economic growth in West European countries. (European economies grew 2.4% in 1983; the forecast for 1984 is .4.5%.)
- o Agreement has been reached to discuss GATT and a new round of trade negotiations, including trade with and among developing countries. These initiatives will strengthen the economic expansion in the U.S. and Western Europe, and help spread the recovery to the LDCs.
- o Together with our Allies, we have begun to develop a comprehensive approach to resolving the world debt problem.
- o We have agreed with our Allies not to subsidize the Soviet economy or aid Soviet military expansion by offering preferential trading terms or easy credits.
- o We have agreed with our Allies to restrict the flow of products, materials, and technology which would increase Warsaw Pact military capabilities.
- o We have helped to foster a more balanced and realistic understanding among our Allies of the Soviet threat and the means by which the Soviets seek to achieve their aims.

- o We have agreed with the Europeans on a strategy to reduce European dependency on the Soviet Union as an energy supplier.
- o We have reached agreement with our Allies to explore the possibility of a joint space station.
- o We have agreed with our Allies on concrete steps to combat international terrorism.

Talking Points:

- o Our objectives in our relations with our Western European Allies and friends have been to expand and strengthen our political, economic, and military cooperation; to assist in spurring their economic recovery; and to negate Soviet efforts to sow discord among us.
- o The Western Alliance system has become strong again. We have excellent relations with all of our Allies, and President Reagan has developed strong personal ties with many European leaders. As President Reagan said when he met with the NATO Foreign Ministers in May 1984, "For us, our NATO partnership is an anchor, a fixed point in a turbulent world."
- o We are working closely with our Allies in a number of areas of fundamental importance to us all. These include: the pursuit of peace and arms control with the Soviet Union; planning cooperative responses to a possible oil shortage; resolving the world debt problem; restricting the flow of sensitive technology to the Soviet Union and its Allies; reducing European dependency on Soviet energy; exploring the possibility of a joint space station; and combating international terrorism.
- o The Alliance is in fundamental agreement regarding the nature of the challenge posed by the Soviet Union and its Allies. Despite Soviet threats, NATO is deploying INF missiles to counter the SS-20 deployments, has reached a new consensus on preventing the flow of militarily significant technologies to the East, and has undertaken a program to enhance NATO's conventional defense capability.
- o The U.S. economic expansion has provided the impetus for robust non-inflationary growth in West Europe. Other joint initiatives, designed to eliminate protectionist tendencies and promote trade with developed as well as less-developed nations, will continue to strengthen the economic expansion in the U.S. and West Europe and help spread the recovery to the LDCs.

JAPAN

Issue:

How should the United States manage the increasingly complex relationship with Japan?

Objectives:

- o Maintain and strengthen our excellent bilateral relations.
- o Encourage Tokyo to meet its declared commitments for self-defense.
- o Continue to manage our economic and trade relations in a careful and sustained manner.
- o Enhance our ability to compete openly with the Japanese in high-technology.
- o Seek Japanese support for our key security and other policies in other parts of the world.
- o Urge Japan to import more U.S. energy.

Accomplishments:

- o The President and Prime Minister Nakasone have established a close personal working relationship which has led to increased U.S.-Japanese cooperation in economic and security areas.
- o In the trade area, Japan has liberalized its market to enable greater import of U.S. goods, including beef and citrus.
- o The Japanese have faithfully abided by the voluntary auto restraint agreement, limiting their export of automobiles to the U.S.
- o The President and Prime Minister Nakasone have agreed to a long term energy cooperation program which will mean thousands of newly created U.S. jobs and greater security for both nations.
- o The Finance Ministers of each country have endorsed a plan to further open Japanese financial markets, which, by "internationalizing" the yen, should improve the yen-dollar relationship over the longer term.
- o In the defense area, Japan has agreed to an expanded defense role which, if carried out, will aid global and regional deterrence.

Talking Points:

- o The U.S.-Japan relationship remains the foundation of U.S. policy in the Pacific.
- o The President's trip to Japan in November 1983 and the Vice President's follow-up in May 1984 strengthened U.S.-Japanese ties and the partnership for peace existing between our two countries.
- o Japan has opened further its trading and financial markets, has committed itself to importing more energy from the United States over the longer-term, and has agreed to increase its regional defense expenditures.
- o We are pleased that the Japanese have allocated more funds to improve their defense establishment, and that they have committed themselves to pursue more market-opening measures. Nonetheless, Japan has an obligation to take on even greater responsibility in both the military and international economic areas.

PEOPLES REPUBLIC OF CHINA

Issue:

How can the United States facilitate continued, steady improvement in a long-term relationship with China?

Objectives:

- o Provide conditions conducive to continued growth in our cultural, economic, and trade relations.
- o Increase our dialogue with Beijing on political and strategic matters of joint concern.
- o Demonstrate to the Chinese the similarity of our global objectives.
- o Enhance our mutually beneficial relationship with China without compromising our moral and legal commitments to the people of Taiwan.

Accomplishments:

- o The highly successful visits of Premier Zhao to the U.S. and President Reagan to China reflect both countries' strong determination to improve their ties.
- o Over the past three years, we have signed a number of agreements which will lead to expanded commercial and cultural ties, including most recently a tax treaty, which will avoid double taxation and facilitate joint commercial ventures, and a protocol on cooperation management, industrial science, and technology.
- o The U.S. has liberalized controls over exporting high-technology products such as computers and laboratory instruments to China.
- o The U.S. and China have begun a limited but important cooperative relationship designed to strengthen Chinese military defensive capability.
- o The U.S. welcomed the Chinese to the 1984 Olympics after a hiatus of 32 years, along with a team representing the People of Taiwan.

Talking Points:

- o With Premier Zhao's visit to the U.S. last January and the President's return visit to China in April, we have shown the world how important the relationship is to both countries and how determined Washington and Beijing are to

strengthen it. Under President Reagan's leadership, our ties with China have become closer than they have been at any time since our re-establishment of relations in 1972.

- o We are realistic about our relationship, frankly acknowledging the fundamental differences in ideology and institutions between our two societies. We do not minimize our differences, but neither are we dominated by them.
- o We seek to enhance our mutually beneficial relationship with China in the areas of cultural, economic and trade relations, without compromising our moral and legal commitments to the people of Taiwan.
- o U.S.-Chinese cooperation and understanding contribute to peace and stability in Asia and in the world. We share many of the same foreign policy objectives. We have begun a limited but important cooperative arrangement designed to strengthen Chinese defensive capability.
- o President Reagan feels that bilateral progress in five areas -- trade, technology, investment, student exchanges, and exchanges of scientific and managerial expertise is particularly promising in assisting China's modernization efforts.
- o Our trade with each other shows great promise for the future, particularly in areas such as machinery, technology, oil equipment, petroleum, agricultural, and manufacturing products.
- o Americans have invested almost \$700 million in joint ventures and offshore oil exploration in China, making the U.S. China's largest foreign investor. Some 50 Chinese firms have established offices or branches in the United States, and China has invested in several joint ventures in the U.S.

EAST ASIA/PACIFIC BASINIssue:

What should the United States do to facilitate the growth of secure, prosperous, and politically stable nations, closely associated with U.S. principles and goals, in Korea, Southeast Asia, and the Pacific Basin?

Objectives:

- o Continue developing a comprehensive Pacific Basin development strategy that will enhance regional cooperation with the U.S. throughout the area.
- o Support the continued strengthening of U.S. economic, political, and security ties with the members of the Association of Southeast Asian Nations (ASEAN).
- o Deter North Korean aggression by continuing to provide a U.S. force presence as well as security assistance to the Republic of Korea.
- o Encourage direct talks between North and South Korea while discouraging efforts to involve the U.S. in them.
- o Resolve the Southeast Asia POW/MIA issue as a matter of the highest national priority.
- o Maintain our historically close ties with Australia and New Zealand and enhance regional security cooperation under the ANZUS treaty organization.
- o Encourage the development of friendly, democratic Pacific Island nations with foreign policies supportive of U.S. interests.

Accomplishments:

- o The President's trips to Asia in 1983 and 1984, the Vice President's trip last May, and Secretary Shultz's visit this summer clearly affirmed our commitment to a policy of close cooperation with the countries of the region.
- o We have moved well along with our friends and Allies in the region in the process of forging a Pacific Basin development strategy. The endeavor was discussed regionally for the first time at ASEAN's July meeting in Jakarta, where the members agreed to concentrate first on human resources development throughout the area.
- o We have actively supported the economic development of the ASEAN countries and have established excellent bilateral relations with each of them.

- o U.S.-Korean relations are excellent, security ties have never been stronger, and our expanding economic relationship is taking on increasing significance.
- o This Administration has established close personal ties at all levels with Australian and New Zealand officials.
- o Bilateral treaties of friendship with four Pacific nations -- the Cook Islands, Kiribati, Tuvalu, and New Zealand (for Tokelan) -- were signed by the President and ratified by the Senate. The treaties resolve long-standing conflicting territorial claims and preserve U.S. fishing rights and other interests.

Talking Points:

- o The nations of the Pacific Basin represent the most dynamic and fastest-growing economies in the Free World. The President has noted that: "I see America and our Pacific neighbors as nations of the future going forward together in a mighty enterprise to build dynamic growth economies and a safer world."
- o We have strongly supported ASEAN's economic and political activities and have simultaneously increased our security cooperation with the individual member states. We have encouraged the ASEAN countries to continue their forward-looking economic policies based on free trade. We are encouraging increased U.S. trade and investment in the region.
- o We are supporting ASEAN nations in forging a Pacific Basin development concept.
- o The U.S. strongly backs ASEAN's quest for a negotiated settlement in Kampuchea. At the same time we have made it clear that the POW/MIA matter remains the most important bilateral issue between ourselves and Vietnam. This issue must be fully resolved to our satisfaction before there can be any discussion of normalizing our relations with Hanoi.
- o The United States will maintain its security commitments to the Republic of Korea. We will continue, however, to urge North and South Korea to ease tensions through bilateral negotiations.
- o We conducted a major review of the ANZUS Treaty in 1983 when a new government came to power in Australia. The review reaffirmed the organization's relevance and

importance to the security of all three partners. That relevance and importance is unaffected, we believe, by changes in the political parties exercising power in any of the member countries.

ISRAEL/ARAB STATES/LEBANONIssue:

How can the United States effectively improve prospects for a lasting peace between Israel and her Arab neighbors and assist Lebanon in attaining unity and stability?

Objectives:

- o Resolve the Arab-Israeli conflict through a just and lasting settlement, achieved by direct negotiations among the parties to the conflict.
- o Facilitate the improvement of relations between Egypt and Israel in accordance with their peace treaty.
- o Ensure the security of Israel within defensible and recognized international borders.
- o Expand U.S. relations with selected Arab states.
- o Support the development of a strong, independent central government in Lebanon.
- o Obtain the withdrawal of all foreign forces from Lebanon.

Accomplishments:

- o The United States took the lead in setting up the Multinational Force and Observers in the Sinai. The success of this venture made it possible to return the Sinai to Egypt.
- o The President's peace initiative of September 1, 1982 set forth a balanced set of positions which the parties to the Arab-Israeli conflict know the U.S. will stand by as soon as negotiations are resumed.
- o The agreement of May 17, 1983 providing for the withdrawal of Israeli troops from Lebanon, although since abrogated by Lebanon under Syrian pressure, was achieved as the result of strenuous efforts by the United States.
- o We did the right thing by pursuing our peacekeeping effort in Lebanon which helped preserve a relative peace for almost fifteen months and reduced the daily slaughter of innocent civilians.
- o The presence of our Marines and the Multinational Force in Beirut also gave the government of President Amin Gemayel a sorely needed opportunity to organize and reduce the fighting in his country.

- o At the request of the Government of Egypt, we assisted -- in cooperation with other Western nations -- in mine-clearing operations in the Gulf of Suez following the mining of this vital waterway by an unknown party. We also assisted the Saudi Government in like manner in their waters near Jidda and Yanbu.
- o We reached agreement with Israel late last year to set up a Joint Political Military Group to plan and coordinate strategic cooperation and to begin negotiations leading to the establishment of a free trade area. We continue to make progress on both fronts.

Talking Points:

- o Israel and her Arab neighbors have been in conflict since the State of Israel was founded in 1948. Ever since that time, it has been our policy both to help Israel survive and defend itself and to work with Israel and the Arab States to help them resolve their differences peacefully. This Administration has reaffirmed and re-emphasized these two key aspects of our overall Middle East policy while attempting to help both parties understand that U.S. security cooperation with them is essential to achieve our mutual goal of peace in the region.
- o As a nation, we have invested a great deal in working for peace in the Middle East. Although not all these investments have yet paid tangible dividends, they serve to demonstrate our deep interest in helping bring peace, freedom, and prosperity to all the peoples of the region.
- o American-Israeli relations have been on the upswing. Cooperation between us reached a new high level when we agreed at the time of Prime Minister Shamir's visit here last November to work closely together against Soviet intervention in the region and to establish a free trade area.
- o Israel faces serious economic problems that only she, through serious efforts of economic discipline, can solve, but we will support those efforts.
- o We support Lebanese efforts to obtain the withdrawal of all foreign forces from their country. We believe that any settlement between Lebanon and Israel should be reached through direct negotiations and should ensure the security of Israel's northern border while respecting Lebanese sovereignty.

IRAN-IRAQ WARIssue:

How can the United States contribute to international efforts to improve the security of the Persian Gulf region?

Objectives:

- o Support diplomatic efforts to end the Iran-Iraq war and prevent its spread to the Persian Gulf and other countries.
- o Assist our friends in the Gulf to meet their legitimate self-defense needs in the event that the Iran-Iraq conflict expands.
- o Eliminate Soviet opportunities to exploit the conflict and further destabilize the region.
- o Ensure that the Strait of Hormuz remains open to international shipping.
- o Maintain our current state of military readiness to deter, and if necessary, defend against possible escalation of the conflict, thereby reducing the threat to non-belligerent oil and shipping interests.
- o Continue to urge our Allies and regional states to cooperate in the event of a crisis to avoid panic oil-buying and subsequent oil price increases and shortages.

Accomplishments:

- o By providing U.S. AWACS aircraft and surface-to-air missile systems to Saudi Arabia, we have demonstrated to our friends in the Gulf that we are committed to helping them meet their legitimate self-defense needs.
- o By encouraging restraint by both combatants, by not supplying arms to either side, and by discouraging the sale of military equipment to Iran by Western suppliers, we have helped prevent a widening of the war.
- o In response to instability in the Persian Gulf, the U.S. has led a process within the International Energy Agency to improve international energy emergency preparedness. An IEA decision (July, 1984) calls for a coordinated stock draw in the event of a crisis coupled with other measures (demand restraint, increases in indigenous production) to

avoid a rush to the spot market. In addition, all nations which do not have adequate stocks have agreed to make best efforts to increase them.

- o The Soviets have not yet improved their position in this important region.

Talking Points:

- o The United States is and has been concerned about this four-year-old conflict because it threatens the security of the other states in the Persian Gulf and the flow of Gulf oil to the West.
- o We support efforts to prevent a widening of the Gulf War and to bring about a negotiated settlement. We have worked closely with our Allies in efforts to contain the conflict and to prepare for any temporary disruption of the flow of oil from the region.
- o We are committed to helping our friends in the Gulf meet their legitimate self-defense needs and to help keep the Gulf open to the shipping of non-belligerents.
- o We are attempting -- so far successfully -- to avoid direct Soviet or other external involvement that would further destabilize the region.

AFGHANISTAN/SOUTH ASIAIssue:

What should the United States do to help end the Soviet military occupation of Afghanistan, enhance Pakistani security against external aggression, and encourage peaceful relations among all South Asian nations?

Objectives:

- o Support U.N. resolutions calling for Soviet withdrawal from Afghanistan.
- o Assist in obtaining the restoration of Afghanistan's neutral and non-aligned status, self-determination for the Afghan people, and the opportunity for Afghan refugees to return home in peace, freedom, and honor.
- o Improve bilateral relations with all South Asian countries.
- o Promote regional understanding and cooperation in order to reduce the possibility of an all-out arms buildup, especially in nuclear weaponry, in the area.
- o Assist Pakistan to remain free and secure despite the threats posed by the Soviet occupation of Afghanistan.

Accomplishments:

- o We have helped keep the issue of Soviet aggression in Afghanistan before world public opinion; there is overwhelming international condemnation of Soviet behavior there.
- o The United States has contributed heavily to the support of the 3.4 million Afghan refugees who have fled their homeland; we are the largest contributor to the refugee relief effort in Pakistan.
- o We have been in the forefront of those nations encouraging a political settlement that would allow the Soviets to withdraw from Afghanistan.
- o Thanks largely to the provision of \$3.2 billion in American aid, Pakistan's security has been enhanced.
- o We have enhanced our commercial relationship with India and have generally improved bilateral relations with all South Asian countries.

Talking Points:

- o U.S. policy on South Asia has focused on seeking an end to the Soviet occupation of Afghanistan, strengthening Pakistan's security against potential Soviet aggression and, promoting regional South Asian peace and understanding.
- o Our position on Afghanistan has been shared by 117 nations which have consistently voted with us on UN General Assembly resolutions regarding Afghanistan. We have also helped promote the search for peace by supporting Pakistan's efforts to seek a political solution to the Afghan dilemma through the good offices of the UN Secretary General.
- o Our observance of Afghanistan Day has helped international efforts to keep the Afghan issue in the spotlight.
- o We have made a strong commitment to help Pakistan protect itself, providing it with \$3.2 billion over the next several years in economic and military assistance.
- o We have worked through the International Atomic Energy Agency and other organizations to reduce chances of nuclear weapons proliferation into the region.
- o We have conducted a dialogue at the Head of State level with India, Pakistan, Nepal, Sri Lanka, and Bangladesh in the last three years. Our contacts have also continued at other levels.
- o We have encouraged South Asian countries in general, and India and Pakistan in particular, to develop strong and peaceful relations.
- o We have supported efforts to improve regional ties such as the South Asia Regional Cooperation forum. We see these efforts as being the best way to build future stability in the area.

NORTH AFRICAIssue:

What can the United States do to help curb Libyan aggression and terrorism in North Africa and facilitate the resolution of the Western Sahara conflict?

Objectives:

- o Pressure Libya, through cooperative measures with our friends and allies, to stop using terrorist tactics and military aggression abroad.
- o Support negotiations aimed at resolving the Western Sahara dispute.
- o Develop further our commercial ties with Morocco and Tunisia to help these two states economically.
- o Foster improved relations with Algeria.
- o Support efforts at rapprochement by the Maghreb states.

Accomplishments:

- o Measures have already been agreed upon with our Allies to contain Libyan terrorism and aggression. U.S. and Allied assistance to Chad and Sudan has helped blunt Libyan destabilization efforts in the region.
- o Relations with Morocco, Tunisia, and Algeria have never been better.

Talking Points:

- o Libyan-sponsored terrorism poses a direct threat to Libya's North African neighbors as well as to many other states. We vigorously oppose such acts and are joining with our friends and Allies in doing everything we can to curtail these activities.
- o The long struggle between Morocco and the Polisario over control of the Western Sahara remains unresolved. We support efforts to get the contending parties to negotiate an end to the conflict and endorse the resolutions of the Nairobi OAU summits of 1981 and 1982 which specify that the solution to the conflict should include a cease-fire preceding a referendum as an expression of self-determination.
- o We have improved our relations with Morocco, Tunisia, and Algeria and stand ready to assist them in meeting the problems that they face.

AFRICA: SECURITYIssue:

How can the United States respond most effectively to requests from friendly African states for help in resisting outside aggression and promoting peaceful solutions to local conflicts?

Objectives:

- o Increase security assistance on a selective basis to those countries under threat of external aggression.
- o Promote the peaceful resolution of local and regional conflicts through diplomatic means.
- o Continue working for the withdrawal of all foreign forces from the southern African region as part of our multifaceted initiative to create a security framework under which all states of the region can live in peace.

Accomplishments:

- o We have blunted the Soviet projection of power in Africa. No sizable new influx of Soviet or surrogate forces has occurred, and Moscow has gained no new African allies since 1981. Mozambique and other African governments allied with the Soviets in the 1970's have begun dialogues with us and have moved away from Soviet influence toward genuine non-alignment.
- o We have been a catalyst facilitating the peaceful resolution of local disputes. Specific examples include the improvement in relations between Kenya and Somalia, the March 1984 non-aggression pact between South Africa and Mozambique, and the February 1984 agreement providing for disengagement and withdrawal of South African forces from Angola.
- o Timely U.S. security assistance and military air deployments helped counter Libyan aggression in Chad and Sudan in 1983 and helped Somalia stop an armed incursion from Soviet-aligned Ethiopia in 1982.
- o We have obtained agreement by all parties on implementation of the UN plan for Namibia, pending only Angolan agreement on Cuban troop withdrawal. We have established a reputation as an honest broker in our diplomatic work on this most difficult of Africa's problems.

- o We have played a quiet but vital part in bringing about general diminution of cross-border violence in southern Africa.
- o We have been encouraging South Africa to take constructive steps away from apartheid toward true democracy. We have begun programs of support to black trade unions, begun an important effort to provide scholarships to black South African students, and have undertaken a program of financial support to human rights organizations in South Africa.

Talking Points:

- o The United States has a significant geopolitical and strategic stake in the security of the African continent and the seas around it. Our interests are seriously affected when Soviets, Cubans, and Libyans seek to expand their influence in the region by force or by exploitation of instability.
- o The late 1970's saw Africa become increasingly exploited by the Soviet Union and its allies. Violence in southern Africa and the Horn of Africa was escalating, insurgencies were growing in eight African countries, and cross-border armed raids by opposition groups were occurring elsewhere on the continent. Feeding on these conflicts, the Soviet Union poured almost \$5 billion in arms into Ethiopia, Angola, and Mozambique and fielded almost 5,000 military "advisors" in Africa. Two Cuban expeditionary forces, totaling almost 40,000 combat troops, were garrisoned in Ethiopia and Angola. Libyan-sponsored subversion against neighboring African states was on the increase and in 1980-81 a Libyan military force of 8,000 occupied Chad.
- o Thanks in large part to U.S. policies and efforts in the area, the Soviets have added no new national converts in Africa since 1981 nor have they dispatched new surrogate troop contingents to Africa. Several African governments which were counted as Soviet allies in 1980 have moved toward a real non-alignment.
- o U.S. military assistance to Africa has increased from \$94.7 million (FY 81 actual) to \$211.6 million (FY 85 request). The bulk of the program has been converted to grant aid in recognition of the difficult economic situations of the recipients. We nonetheless have maintained a 4:1 ratio of economic assistance to security assistance in Africa in recognition of the fundamental security role economic stability and progress plays.
- o There has been a significant increase in dialogue among neighboring states in southern Africa. This process has led, with the U.S. acting as a catalyst, to a

non-aggression pact between South African and Mozambique in March 1984 and a landmark force disengagement agreement between South Africa and Angola formalized in Lusaka in February 1984.

- o We have undertaken a special regional security initiative for southern Africa. Specific components include a complex diplomatic initiative to lead to an internationally recognized settlement of the Namibia problem and Namibian independence; support for regional economic development; withdrawal of foreign forces from the area; and support for peaceful progress in ending apartheid in South Africa.
- o There is a growing dynamic for change in South Africa and the last few years have seen important, fundamental changes: institutionalization of black trade unions, legitimization of black residence in urban areas, the enfranchisement of coloreds and Asians, major increases in expenditures for black education, and the beginning of black municipal and local self-government. We have played a quiet but real part in encouraging and facilitating such constructive forces for peaceful, positive change and movement away from racial segregation, separation, and discrimination.

AFRICA: DEVELOPMENTIssue:

What should the United States do to help African countries come to grips with their critical economic and developmental problems?

Objectives:

- o Work with other nations and organizations to combat famine by providing food relief assistance.
- o Induce African governments to make serious and sustained efforts to help themselves by undertaking substantial structural reforms.
- o Persuade African governments that economic development goals can best be pursued through mechanisms and incentives which incorporate the principles of private enterprise and free trade.

Accomplishments:

- o In three years we have doubled the quantity of emergency foodstuffs shipped to meet specific life-threatening famine problems in Africa, and we have led the world in providing humanitarian aid to African refugees.
- o In three years we have increased our non-emergency food and developmental aid to Africa by 20 percent, tying this assistance to structural reform and increasing local agricultural productivity.
- o We have submitted to Congress a new Economic Policy Initiative which calls for \$500 million in funds to support those African governments making the hard reforms and policy changes necessary for recovery.
- o We have joined the African Development Bank and increased our support to the African Development Fund.
- o We have placed major stress on the need for private sector development in Africa, recognizing that the unleashing of the indigenous private sector holds the key to long-term economic development.
- o We have seen major economic reforms take hold in Zaire and Liberia where recovery is beginning.
- o We have seen agricultural production raised dramatically in Somalia when centralized controls were lifted.

- o We have seen every self-described Marxist and Marxist-Leninist government in Africa (except Ethiopia and Angola) approach Western donors for increased aid in return for fundamental reversals in economic policy, including decontrol of the economy and freeing of the private sector.

Talking Points:

- o Virtually all 45 nations of Sub-Saharan Africa, with a rapidly growing population that now totals 400 million, face an economic crisis of stark proportions. Per capita food production has fallen by 20 percent in the last 20 years; real per capita income has decreased 2-3 percent per year over the past three years. A tenacious drought continues to ravage the continent from the Sahel area to South Africa. Refugees number over two million. A recession that has touched every African nation began with the 1979 oil crisis and has not yet ended.
- o The economic crisis has many causes -- drought, the flow-through effect of recession in the developed world, effects of the 1979 oil price increase, civil wars -- but the World Bank identifies the prime cause as the failure of inappropriate domestic price incentives. Too many African governments have held too long to failed policies which stifle domestic production, chief among them being the rigid hewing to central planning and control precepts and practices.
- o The unprecedented economic crisis in Africa threatens U.S. interests on several levels. Unless alleviated, African leaders may increasingly look to authoritarian political strategies. Moreover, economic malaise breeds political instability that opens opportunities for Soviet, Cuban, and Libyan meddling. The African debt problem, though small compared to other areas, puts strain on the international financial system and defaults could increase that strain. Unchecked crisis will lead to greater famine and civil strife. A weak performance in Africa reduces trade with the West, inhibiting worldwide recovery.
- o We remain committed to private sector development in Africa, including Western private investment and trade, as the long-term answer to the continent's development needs. We see agricultural self-sufficiency as the first order of economic recovery and development there. We fully support the international financial organizations in requiring structural reforms in return for renewed financial assistance.

- o The efficiency and success of our efforts so far may be measured by the fact that nearly all the centrally-planned economies in Africa have undertaken positive change in the direction of freeing the private sector. (Only Ethiopia and Angola have not.)

LATIN AMERICA/CARIBBEANIssue:

How can the United States most effectively assist Latin American and Caribbean democracy, economic improvement, and ability to resist outside aggression and subversion?

Objectives:

- o Encourage, as much as possible, the current trend toward democratic government in the region.
- o Improve the economic well-being of the free peoples of Latin America and the Caribbean.
- o Assist friendly, democratic governments and peoples in the region to defend themselves against externally-supported Communist subversion and aggression.
- o Ensure that the historically close U.S.-Latin American relationship continues.

Accomplishments:

- o We have provided consistent support and encouragement for democratic institution building: today 26 of 33 countries with 90% of the population are democratic or in transition. Since November 1980 there have been 33 free elections in 24 countries, virtually all with very high voter participation; including El Salvador, Honduras, Guatemala, Brazil, Argentina, and the Dominican Republic. The Administration has provided tangible support for democratic labor unions and democratic institution-building through programs, such as the new National Endowment for Democracy proposed by President Reagan in 1982 and passed by the Congress in 1983.
- o Under the leadership of this Administration, U.S. economic assistance to the Latin America-Caribbean region has more than doubled. 70 percent of the U.S. foreign assistance to Central America is economic.
- o This Administration has taken the lead in formulating two major, comprehensive regional assistance and development programs for the area: the innovative Caribbean Basin Initiative, which offers increased access to the U.S. market for 12 years and can create many jobs and sources of income; and the President's Initiative for Democracy, Peace, and Development in Central America, implementing the recommendations of the National Bipartisan Commission on Central America in January 1984, now awaiting Congressional action.

- o We have been working with the area's public and private sectors and the International Monetary Fund to encourage involved parties to work effectively to resolve the \$380 billion Latin American debt problem.
- o The U.S. has worked diligently through regular and special diplomatic channels to pursue realistic solutions to Central America's problems. Our efforts have included several trips to the region by the President, Vice President, and Secretary of State, and the consecutive appointments of two Presidential Special Envoys to Central America who made a total of 16 trips to the region in the last year. We also have continuously supported the peace-seeking process initiated by the Contadora countries (Mexico, Panama, Colombia, and Venezuela).
- o Our most dramatic Caribbean accomplishment was to join, in October 1983, with the East Caribbean democracies at their request to rescue their and our citizens in Grenada, remove the Soviet bloc/Cuban presence from Grenada, and facilitate the process leading to the restoration of democratic institutions in Grenada. Since that time, the U.S. has helped the Caribbean democracies maintain a small multinational peacekeeping force on the island to provide security.
- o Our defense assistance to El Salvador has been modest (about \$339 million over the past five years) but has been vitally important to that country's efforts to strengthen its armed forces enough to withstand repeated guerrilla attacks and give democracy a chance to take root.
- o U.S. military exercises in Honduras and provision of U.S. military training and assistance to Honduran forces have helped deter aggression by Nicaraguan forces, which number 100,000 persons including reserves.

Talking Points:

- o The United States is linked by history, proximity, and special ties of friendship with the 33 independent countries and 380 million people of Latin America and the Caribbean. Objectives of this Administration have been to encourage democracy, support economic improvement, use active diplomacy to solve disputes, and provide security assistance so that governments threatened by Soviet bloc, Cuban, and Nicaraguan subversion could defend their people.
- o For the region as a whole, a highly encouraging recent trend has been the return of several countries to democratic government. Today, 26 of 33 countries are democratic or in a defined process of democratization. These account for 90% of the area's population. The

Administration has consistently encouraged the process of democratic institution-building in the area.

- o In Grenada, the United States and the Caribbean democracies rescued a nation from Soviet bloc and Cuban control and internal repression.
- o Soviet, Cuban, and Nicaraguan-assisted subversion and Communist aggression have created a crisis in Central America, particularly in El Salvador. Continued Communist success would pose the threat, as the President has stated, that "100 million people from Panama to the open border on our south would come under the control of pro-Soviet regimes." We are countering this threat by helping those people to defend themselves.
- o While our military assistance to the region has been modest, our contribution in economic and developmental help has been substantial. Through the Caribbean Basin Initiative and the President's Initiative for Democracy, Peace, and Development in Central America, our commitment to help speed the process of economic growth in those areas will become even larger and, we believe, more effective.
- o We are continuing to work with friendly governments in the region to help them cope with their severe debt problems.

Global IssuesInternational EconomicsIssue:

What should the United States do to help sustain and extend world economic recovery, help debtor nations help themselves, and assist the developing countries to begin to realize substantial, lasting economic growth?

Objectives:

- o Formulate and implement sensible economic policies at home aimed at stemming inflation and government spending.
- o Develop a Free World consensus on policies designed to achieve enduring, non-inflationary economic recovery, financial stability, and liberalized trade.
- o Encourage an effective IMF-based economic adjustment process for debtor nations including sufficient private and public financing and selective reschedulings to ease the debt burden on LDC's and to restore conditions for sustainable economic growth.
- o Heighten Allied attention to the security dimensions of East-West economic relations including the forging of common objectives in NATO, OECD, IEA and COCOM.

Accomplishments:

- o This Administration has succeeded in rebuilding a strong domestic economy which has pulled much of the world out of recession and into recovery: average growth rose from around 1% in 1981 to above 4% for 1984; average inflation of 10% in 1981 was cut to an expected 4.5% this year; 6 million American jobs were created in the past 18 months alone.
- o A consensus among the Allies has developed which reaffirms the economic policies espoused by President Reagan: market-oriented adjustment in our domestic economies; strengthened management of the LDC debt problem; and trade liberalization and open markets.
- o We have begun implementing a sensible five-part strategy to handle the debt problem that was developed at the Williamsburg Summit and embodied in the Williamsburg Declaration and was later reaffirmed at the London Summit.

- o Substantial progress has been made in domestic and international energy emergency preparedness through the accelerated build-up of our Strategic Petroleum Reserve (SPR) and an IEA agreement among the Allies for early use of petroleum stocks and demand restraint to avoid unnecessary volatility in the spot market.
- b An historic Allied consensus on East-West economic relations has been achieved which has led to elimination of preferential terms on credits to the USSR; reduction of the political/economic risk of Western European dependence on Soviet energy resources; and strengthened measures in COCOM to reduce the availability to the Soviets of strategically important Western technology.

Talking Points:

- o The President inherited a fractious and deteriorating international economic order characterized by record inflation, high unemployment and severe recession.
- o From the outset, the President emphasized the importance of sensible domestic economic policies designed to halt inflation, increase employment, and stem the tide of increased government spending.
- o The President has repeatedly demonstrated his strong and visionary leadership in advancing a common Allied approach to key economic, trade, financial and security objectives through bilateral meetings in Washington and abroad, annual economic Summit meetings and in international fora such as OECD, IEA, NATO and COCOM.
- o The President first put forward his economic policies at the Ottawa Economic Summit in 1981. By the time President Reagan hosted the Williamsburg Summit two years later, it was clear that his policies were leading the U.S. and the free world on the path to full economic recovery. Under the President's leadership the Summit leaders agreed to coordinate policies to promote sustainable, non-inflationary growth and to forge a consensus on the security dimensions of East-West economic relations which had proved elusive in the past.
- o This was followed up a year later by the successes of the London Economic Summit which reinforced the importance of free market economics, open markets, and management of the debt problem. Agreement was also reached on important political statements on East-West relations, terrorism, democratic values and the volatile Persian Gulf situation.
- o Working closely with our NATO Allies and Japan, we have made major gains in correcting the serious imbalance of the past between the advantages of trading with the USSR

and our common security requirements. We have reached agreement with the Allies on eliminating preferential terms on credits to the USSR and reducing the substantial risk of Western European dependence on Soviet energy resources.

- o In working closely with the COCOM countries, we have met head-on the challenge of stopping the flow of militarily-relevant Western technology to the USSR through the upgrading of the COCOM review process, the harmonization and tightening of national licensing and enforcement procedures, and the monitoring of the potential military application of emerging technologies.
- o The President has taken important steps to assure that we can manage the impact of any temporary energy disruption. Our Strategic Petroleum Reserve (SPR) has been increased fourfold and our efforts through the IEA to coordinate an coordinated response to an energy emergency have been highly successful.
- o The five-part debt strategy adopted by the Summit leaders at Williamsburg, and reaffirmed in London, has successfully contained the debt crisis. The Administration has also encouraged modification of the strategy, to include such measures as multi-year reschedulings for those responsible debtor countries who have performed well under IMF programs. We have also supported an increased flow of long-term direct investment to debtor nations and endorsed closer cooperation between the IMF and World Bank.
- o Through the leadership of President Reagan in the Summit process, the Allies have dedicated themselves to the expansion of international trade by the reduction of trade barriers.
- o The President has given major new impetus to American economic ties with Asia by reaching out to the economically dynamic Pacific Basin nations, including a significant improvement in bilateral relations with Japan, and strengthening relations with China, South Korea, and other countries of this vital region.
- o The improvement of the world economy, led by the U.S., and Allied agreement to resist protectionist trade policies and to assist struggling, developing nations through encouraging IMF-based economic adjustment, government and private sector financing and increased investment have begun to restore economic and financial stability to a number of Third World countries.
- o In our own hemisphere, the Caribbean Basin Initiative and the Central American Peace Initiative have helped open up

markets for the exports of our neighbors and Allies. Our efforts to help Grenada rebuild its economy, as illustrated by our commitment to complete the airport at Point Salines, and our active support of U.S. private sector initiatives to expand Grenadian investment and trading potential are demonstrating the benefits of a return to democracy.

- o The President has also initiated a major Administration effort to increase the effectiveness of resource allocations to meet the urgent problem of world hunger by providing help to build new infrastructure where needed, and by taking other measures to speed up the impact of relief measures.

INTERNATIONAL ENERGYIssue:

How can the United States best guarantee a reliable and adequate supply of the energy resources needed for national and international security and economic well-being?

Objectives:

- o Reduce government intervention in the energy sector through increased reliance on the market mechanism.
- o Improve the energy security of the U.S. and its Allies by action to reduce both the probability of future disruptions and the impact such supply interruptions might have on our economics.
- o Promote U.S. energy exports to Pacific Basin and European nations.
- o Urge key Allies to diversify their energy resources so that they are not dependent on single supplier nations, particularly in the case of energy imports from the Soviet Union.

Accomplishments:

- o The Administration's decision to deregulate oil prices has stimulated domestic production and cut oil imports dramatically.
- o The size of the Strategic Petroleum Reserve has quadrupled to over 400 million barrels of oil, giving the U.S. an enormous oil buffer against future oil disruptions.
- o The U.S. has led an initiative within the International Energy Agency to reduce reliance on Soviet energy. Studies indicate that European nations could become highly dependent on Soviet energy in the 1990's and that such dependency could make them highly vulnerable to disruptions for technical and/or political reasons. In May 1983, Ministers from IEA countries agreed that their countries would not become overly dependent on Soviet gas and that they will give preference to OECD energy resource development, particularly to Norwegian gas fields.
- o President Reagan and Prime Minister Nakasone agreed in November of 1983 to a program to increase energy trade between the United States and Japan. Over the long run, this will create thousands of new jobs for Americans and greater energy security for both our nations.

Talking Points:

- o U.S. Administrations since the time of the 1973/1974 oil embargo have seen energy as a constraint on economic systems. The present Administration sees energy as an opportunity.
- o Our action to deregulate oil prices has already brought about a significant drop in our import dependence by spurring domestic production.
- o Studies show that with continued energy deregulation the U.S. can achieve almost complete sufficiency in energy supplies by the next decade and at the same time provide ample supplies of energy to our Allies.
- o We have urged our Allies in Europe and the Pacific to consider increasing their reliance on U.S. exports of energy, particularly coal. This can provide them an important source of stable supply for many future decades, thereby reducing their dependency on more uncertain supplies. Prime Minister Nakasone and President Reagan have endorsed principles for energy trade between the United States and Japan, which will mean jobs for citizens and greater security for both nations.
- o In addition, we have led a process in the International Energy Agency to improve emergency preparedness of key industrialized countries to ensure that we do not have another wave of price increases and physical oil shortages as occurred in 1973/74 and 1979.
- o To do our share, we have quadrupled the Strategic Oil Reserve which now holds over 400 million barrels -- or about 80 days of our imports. At the initiative of the U.S., twenty-one member nations of the International Energy Agency agreed in July 1984 to coordinate their stocks in the event of a crisis to minimize the impacts a disruption would have on their economies. Those countries without stocks have agreed to make best efforts to increase them.
- o In addition to improving our ability to cope with a Persian Gulf oil disruption, we have successfully urged the Allies to reduce dependence on Soviet energy. The May 1983 IEA agreement confirms that the Europeans will look to indigenous sources, particularly Norway, instead of relying further on the Soviet Union for critical gas.

TERRORISMIssue:

How can the United States improve its deterrence of, protection against, and response to terrorist attacks?

Objectives:

- o Improve the effectiveness of legal instruments under which persons involved in terrorist activity can be prosecuted.
- o Improve international cooperation in combating terrorism.
- o Develop and build enhanced security and operational capabilities to prevent and respond to terrorist acts.

Accomplishments:

- o The Administration has submitted four bills to Congress which are designed to strengthen the legal instruments for dealing with terrorists.
- o Western leaders at the London Economic Summit in June 1984 issued a declaration on international terrorism which includes a seven-point agreement on cooperative steps to be taken against terrorism.
- o The President has issued a directive which, among other things, calls for: Improved intelligence collection, analysis, and dissemination; better security protection and awareness; legal action to thwart terrorist attacks before they occur; and improved capability to respond to attacks, based on a cogent analysis of what responses are most likely to deter future attacks.
- o The Administration has proposed to the Soviets an agreement that would facilitate rapid communication via the hotline in the event of terrorist nuclear incidents.

Talking Points:

- o During 1983, international terrorism took an appalling toll in human life. In that year alone, Americans were either the targets or incidental victims of 270 terrorist attacks. 271 U.S. citizens died as a result of terrorism. In the U.S. six people died in 31 terrorist incidents. Terrorism poses an increasing danger to democratic societies, and to our way of life. It is an indiscriminate form of warfare being waged against the U.S. and other democratic societies.